October 22, 2010

Financial Accounting Standards Board
Attn: Technical Director—File Reference No. 1820-100
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116
Via e-mail to director@fasb.org

Re: File Reference No. 1820-100
Proposed Accounting Standards Update, *Revenue Recognition (Topic 605)*

Dear Technical Director, Board Members and Staff:

The Accounting and Auditing Committee of The Ohio Society of Certified Public Accountants is pleased to express its views on the Proposed Accounting Standards Update, *Revenue Recognition (Topic 605)*.

In reviewing this draft, we have concerns about the cost/benefit and practicality of certain elements of the proposal, and believe that these areas merit greater consideration before issuing a final standard. The following response only addresses questions that were of concern to the committee:

Question 7

Paragraph 50 proposes that an entity should allocate the transaction price to all separate performance obligations in a contract in proportion to the stand alone selling price(estimated if necessary) of the good or service underlying each of the performance obligations. Do you agree? If not, when and why would that approach not be appropriate, and how should the transaction price be allocated in such cases?

No. Overall, the disagreement with this proposal is based upon the following concerns:
1. Customers present an entity with a purchase order for the entire contract.
2. Allocating each performance obligation paired with its own transaction price would be extremely burdensome and costly.
3. After allocating all the components as stated in (2), systems would be required to then reconsolidate the data for billing to the customer.

4. A single performance obligation could recognize a loss at a particular point in time (interim financials) when in reality the entire contract will be profitable.
5. This presents difficulty with financing, bonding and outside investors understanding that these may only see a negative when in fact the overall financial condition may be very profitable.
6. Comparability suffers under this proposal entity to entity even within a single industry.

A suggestion may be for the Boards to consider exempting smaller contracts from the allocation process. Also consider exempting certain types of industries such as construction where the cost of tracking allocations within contracts may be prohibitive.

Question 12

Do you agree that an entity should disaggregate revenue into the categories that best depict how the amount, timing, and uncertainty of revenue and cash flows are affected by economic factors? If not, why?

No. The disclosure requirements for disaggregation of revenue and reconciliation of contract balances appear to be overly onerous and maybe difficult if not impossible for all companies to provide, as these contracts could be sliced and diced in numerous ways. Given the reconciliation and performance obligations disclosure requirements and coupled with the fact that the entity is granted the consideration to determine the level of detail necessary to satisfy the disclosure requirements, this should be sufficient.

Question 13

Do you agree that an entity should apply the proposed guidance retrospectively (that is, as if the entity had always applied the proposed guidance to all contracts in existence during any reporting periods presented)? If not, why?

No. Simply put, if this standard passes, a public entity would then need to restate five years of revenue to meet SEC filing requirements. It's unlikely any company would choose to undertake this magnitude of a project, so most will say that retrospective application is "impracticable". The standard if passed should just simply be applied prospectively, with possibly a disclosure that addresses the filer's belief on how the adoption impacted their particular revenue trend.

In summary, while we disagree with only a few questions, the proposal presents several challenges to business entities and does not provide a simple revenue recognition approach. The challenges this standard creates include the difficulty of businesses having to manage every potential performance factor as opposed to managing an overall contract basis. Lenders will have difficulty reconciling interim information to year end information and systems would need to be redone to facilitate the tracking of activity at the performance obligation level while needing to reaggregate the activities for billing and management.

The goal of this proposal was supposed to be to develop common revenue standards that could be broadly applied. It seems unfortunate that the boards did not consider the effectiveness of the SEC SAB standards which outline a simple four-step revenue recognition approach (evidence, delivery, fixed and determinable fees and collectability.) The proposed standard attempts to incorporate some of these concepts, but not as clearly and concisely as would be expected for such a broad-based proposal. This proposal, in its current form, is too broad-based and presents already overburdened industries with additional economic burdens.

We appreciate the opportunity to provide feedback to the proposed Accounting Standards Update and welcome any additional opportunities to further discuss or otherwise support the efforts of the Financial Accounting Standards Board in this area.

Respectfully,

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